

CITY OF DENVER

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
JULY 1, 2015 THROUGH JUNE 30, 2016**

Table of Contents

	<u>Page</u>
Officials	1
Independent Accountant's Report on Applying Agreed-Upon Procedures	3-4
Detailed Recommendations:	<u>Finding</u>
Segregation of Duties	A 6
Bank Reconciliation	B 6
Timesheets	C 6
City Council Minutes	D 6
Unclaimed Property	E 7
Journal Entries	F 7
Arbitrage Compliance	G 7

CITY OF DENVER

Officials

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rod Diercks	Mayor	Dec 2017
Joel Wilkner	Council Member	Dec 2017
Mary Scharnhorst	Council Member	Dec 2017
Jeremie Peterson	Council Member	Dec 2015
Mark Richman	Council Member	Dec 2015
Dave Larsen	Council Member	Dec 2015
Larry Farley	City Administrator	Indefinite
Dale Geke	Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rod Diercks	Mayor	Dec 2017
Joel Wilkner	Council Member	Dec 2017
Mary Scharnhorst	Council Member	Dec 2017
Jeremie Peterson	Council Member	Dec 2019
Mark Richman	Council Member	Dec 2019
Derek Gustafson	Council Member	Appointed 4-18-16
Dave Larsen	Council Member	Resigned 3-21-16
Larry Farley	City Administrator	Indefinite
Dale Geke	Attorney	Indefinite

City of Denver

James R. Ridihalgh, CPA
Gene L. Fuelling, CPA
Donald A. Snitker, CPA
Donald A. Weber, CPA

Jeremy P. Lockard, CPA
Alan W. Flick, CPA
Brent A. Waters, CPA

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of the City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Denver for the period July 1, 2015 through June 30, 2016. The City of Denver's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

14 East Charles Street * PO Box 639
Oelwein, Iowa 50662
Phone: (319) 283-1173
Fax: (319) 283-2799

641 Young Street * PO Box 602
Jesup, Iowa 50648
Phone: (319) 827-6600
Fax: (319) 827-2121

819 First Street East
Independence, Iowa 50644
Phone: (319) 334-4211
Fax: (319) 334-6454

rfsw.com

8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
9. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
10. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
11. We reviewed voter approved levies for proper authorization in accordance with Chapter 384.12 of the Code of Iowa.
12. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Denver, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Denver and other parties to whom the City of Denver may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Denver during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.
Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

October 14, 2016

Detailed Recommendations

City of Denver
Detailed Recommendations
For the period July 1, 2015 through June 30, 2016

- A Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. These incompatible duties can be summarized into four general categories: Custody, Authorization, Record-Keeping and Review. Ideally, separate individuals have control over each of the duties listed within the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparation and distribution.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparation and reconciling.
- (7) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should continue to review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

- B Bank Reconciliations – Although monthly bank reconciliations were prepared, they were not being reviewed by an independent person.

Recommendation - To improve financial accountability and control, monthly bank reconciliations should be reviewed by an independent person and the review should be documented by the initials or signature of the reviewer and date of the review.

- C Timesheets – Although timesheets were prepared for all employees, including supervisors, there was no indication the timesheets were reviewed and approved for supervisors.

Recommendation – All timesheets, including supervisors, must be reviewed and approved by a supervisor or by an independent official who is not involved with payroll.

- D City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting. Minutes for one meeting tested were not published within fifteen days.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within fifteen days of the meeting, as required.

City of Denver
Detailed Recommendations
For the period July 1, 2015 through June 30, 2016

- E Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.
- Recommendation – Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State annually, as required.
- F Journal Entries – Journal entries are not reviewed and approved by an independent person.
- Recommendation – An independent person should review and approve journal entries. Approvals should be documented by signing or initialing and dating the journal entries.
- G Arbitrage Compliance – The City has not established written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Internal Revenue Service rules related to its general obligation, special assessment and revenue bonds or notes.
- Recommendation – The City should establish and approve written procedures to comply with Section 148 of the Internal Revenue Service.